

BERGS

Interim Report
1 January – 31 March

2023 Q1



Interim Report

1 January – 31 March 2023

FIRST QUARTER (1 JANUARY–31 MARCH)

- Net sales amounted to SEK 715 million (910), a decrease of 21%. The decrease was related to lower sales prices and sales volumes in Wood Solutions and Sawn Wood. Higher sales volumes in Doors & Windows contributed positively.
- EBITDA amounted to SEK 6 million (82), a decrease mainly attributable to lower sales prices and lower sales- and production volumes in Sawn Wood. The results for Doors & Windows and the pellet business were on good levels. The EBITDA margin was 0.8% (9.0).
- Operating profit amounted to SEK –18 million (61), corresponding to an operating margin of –2.5% (6.7).
- Profit for the period amounted to SEK –18 million (63).
- Earnings per share, before and after dilution, were SEK –0.52 (1.82).
- Cash flow from operating activities amounted to SEK –12 million (124), negatively affected by seasonally higher working capital.
- Financial net debt totalled SEK 17 million (130) as of 31 March, corresponding to a net debt/equity ratio of 0.01 (0.08).
- The reporting structure was changed from 1 January 2023 to clarify the Group's strategic direction. Comparative periods for 2022 has been restated.

The Group's key performance indicators

AMOUNTS IN SEK million	2023 Jan–March 3 months	2022 Jan–March 3 months	2022 Jan–Dec 12 months
Net sales	715	910	3,267
EBITDA	6	82	331
EBITDA margin, %	0.8	9.0	10.1
Operating profit/loss	–18	61	241
Operating margin, %	–2.5	6.7	7.4
Profit/loss for the period	–18	63	231
Earnings per share, SEK*	–0.52	1.82	6.66
Equity per share, SEK*	52.75	48.63	53.12

* Earnings per share and Equity per share have been adjusted retroactively for the reverse split 1:10 in May 2022.

First page: In the spring and summer, demand is high for Bitus AB's various wood protection products

Continued weak market for wood products

FIRST QUARTER

The first quarter of the year was negatively affected by the deteriorating economic situation with reduced construction and lower activity in the do-it-yourself sector. The market for sawn and wood protection products has developed weakly both in terms of volume and price. The prices are about 25 percent lower compared to the corresponding period last year. We have continued good development for windows, doors, pellets and our more specially adapted wood protection products. These product areas are increasing as a share of the Group's turnover, but at the same time are not large enough to currently compensate for the weak development of the wood product market.

The first quarter is seasonally weak, yet the result is disappointing where EBITDA amounted to SEK 6 million compared to SEK 82 million the previous year. Net sales were 715 compared to 910 the previous year.

MARKET

Deliveries of sawn and value-added wood products have generally increased during the beginning of the spring, and the statistics show that wood product stocks are in a downward trend. Some price increases have been implemented for the spring and summer. Likewise, we continue to see a good development of our project market, where not least the sales of linseed oil-impregnated products have increased. At the same time, there is still uncertainty about how the market will develop. We see a better development for our windows and doors, which are positively affected not least by energy-saving investments. Order intake and order backlog are still good.

PERFORMANCE BY PRODUCT AREA

As recently communicated, we have changed our segment reporting where windows and doors are now reported as a separate segment and where processed wood products are reported in the Wood Solutions segment. We are doing this to highlight the change we are now making within Wood Solutions towards a higher degree of processing and project focus. We also want to clarify our window and door business, where we have the ambition to grow further.

WOOD SOLUTIONS

Demand and prices for wood protection products have remained weak during the quarter with continued negative margins as a result. During March, we had an improved activity, which indicates that our customers' stocks in the building material trade and the DIY chains are starting to become more normal. Our rebalancing of the product mix, which was previously based on a large raw material import from Russia, is likely to gradually improve the margin. We see some improvement in the market for our garden products. A number of organizational changes have been implemented and competence has been strengthened to increase the pace of our transformation within Wood Solutions. The launch of a joint brand will take place in the autumn.

DOORS & WINDOWS

The market for our doors and windows continues to be good and our three manufacturing units are producing at full capacity. The order backlog is currently 4–6 months. Growth in net sales during the first quarter was 25 percent and profitability was good with an EBITDA margin of 11.1 percent. The plan to open five new showrooms during the year is agreed and we are evaluating various possibilities for future expansion.

SAWN WOOD

The market for sawn wood products has continued to be weak during the quarter. On a positive note, the delivery volumes have increased and stock levels are on a downward trend. In general, the availability of raw materials is limited, which holds back the level of production. Despite the improved situation with some positive price adjustments, there is still uncertainty about how the market will develop during the autumn.

Our two sawmills have reduced the production volume and our finished goods stock level is as a result low. Our raw material stocks are satisfactory. However, the price of raw materials remains at relatively high levels. Order intake has improved and we are planning for increased production volumes during the second quarter.

ENERGY & LOGISTICS

Demand for pellets has remained good and we are exiting the season with low stocks. The price for pellets has decreased in line with lower energy prices. Likewise, the mild winter had an impact and the profitability during the quarter was at more normal levels compared to autumn's exceptionally high margin.

FUTURE PROSPECTS

We expect a certain improvement for sawn and value-added wood products during the summer, but the market development remains uncertain. We are careful to increase our stocks and will regulate production volumes and costs depending on demand. Our door and window business are expected to continue to develop well. In addition, we are fully focused on the work with the transformation of Wood Solutions, where in the coming quarters we will invest in competence, coordination and brand building.

Stockholm, 4 May 2023

Peter Nilsson
President and CEO



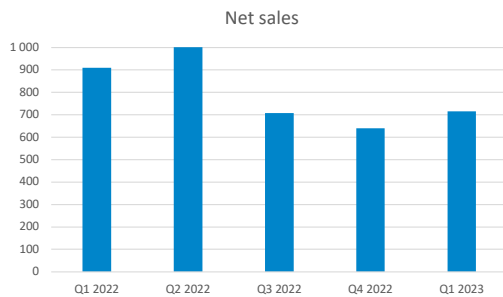
Net sales and operating profit

JANUARY–MARCH 2023 COMPARED WITH JANUARY–MARCH 2022

Net sales for the first quarter of 2023 amounted to SEK 715 million (910). The decrease of SEK 195 million, corresponding to 21 per cent, was attributable to lower sales prices and sales volumes in Wood Solutions and Sawn Wood. Higher sales volumes in Doors & Windows contributed positively.

EBITDA decreased to SEK 6 million (82), which corresponds to an EBITDA margin of 0.8% (9.0). The lower result was mainly attributable to lower sales prices and lower sales- and production volumes in Sawn Wood. The results for Doors & Windows and the pellet business were on good levels.

Operating profit amounted to SEK –18 million (61), which corresponds to an operating margin of –2.5% (6.7).

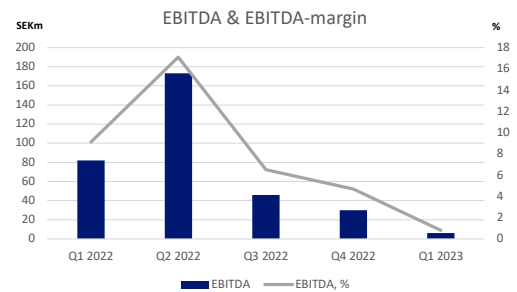


JANUARY–MARCH 2023 COMPARED WITH OCTOBER–DECEMBER 2022

Net sales amounted to SEK 715 million, compared with SEK 640 million for the fourth quarter of 2022, up SEK 75 million. The increase was mainly attributable to higher sales volumes in Wood Solutions.

EBITDA amounted to SEK 6 million (30), corresponding to an EBITDA margin of 0.8% (4.7). The decrease was mainly related to lower sales prices and sales volumes of pellets.

Operating profit amounted to SEK –18 million (6), corresponding to an EBIT margin of –2.5% (0.9).



Cash flow and financing

Cash flow from operating activities for the period January–March amounted to SEK –12 million (124). The cash-flow effects from changes in working capital amounted to SEK –9 million (58). Investments in property, plant and equipment amounted to SEK –32 million (–22).

The Group's net financial debt at 31 March 2023 totalled SEK 17 million, compared to a net cash position of SEK 29 million at 31 December 2022. The net debt/equity ratio was 0.01.

Loans and credit facilities on 31 March 2023, SEK million:

LOAN	Limit	Repayments, years			Total utilised
		0–1	1–2	2–	
Term loans		25	25	175	225
Revolving credit facility	400				0
Overdraft facilities	50				0
Total		25	25	175	225

Available cash and cash equivalents, including unutilised credit facilities, totalled SEK 666 million.

Net financial items for the Group for January–March amounted to SEK 0 million (–2).

Product areas

Bergs's operational activities consist of independent subsidiaries with clear responsibilities for results, conducting operations in four different product areas. These are Wood Solutions, Doors & Windows, Sawn Wood and Energy & Logistics.

The product areas constitute reporting segments as of 1 January 2023. The numbers for 2022 have been restated in accordance with the new segment structure.

PRODUCT AREA	Wood Solutions	Doors & Windows	Sawn Wood	Energy & Logistics
Products	Sales and production of value-added wood products for various applications. The product offering is categorised into the following product areas: <ul style="list-style-type: none"> • Garden & Landscaping • Facades • Construction • Industrial Components • Building Systems 	Sales and production of doors and windows	Sales and production of sawn products	Sales and production of pellets and fire logs, as well as the port and distribution operations in the UK

Net sales

AMOUNTS IN SEK m	Jan–March 2023	Jan–March 2022	Jan–Dec 2022
Wood Solutions	214	365	1,087
Doors & Windows	188	150	661
Sawn Wood	248	346	1,292
Energy & Logistics	67	61	287
Internal net sales	-2	-12	-60
External net sales	715	910	3,267

EBITDA

AMOUNTS IN SEK m	Jan–March 2023	Jan–March 2022	Jan–Dec 2022
Wood Solutions	-22	-10	-38
Doors & Windows	21	19	73
Sawn Wood	-3	73	238
Energy & Logistics	15	8	83
Joint and eliminations	-5	-8	-25
EBITDA	6	82	331

WOOD SOLUTIONS

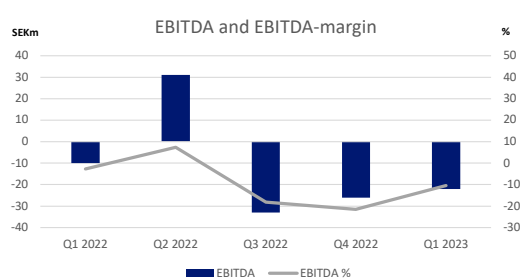
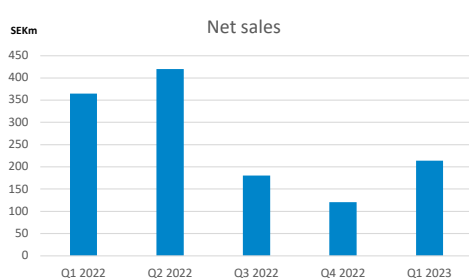
A presentation of the product area can be found on page 19.

AMOUNTS IN SEK m	Jan–March 2023	Jan–March 2022	Jan–Dec 2022
Net sales	214	365	1,087
EBITDA	–22	–10	–38
Operating profit/loss	–28	–16	–62
EBITDA margin, %	–10.3	–2.7	–3.5
Operating margin, %	–13.1	–4.4	–5.7

Net sales for the first quarter amounted to SEK 214 million (365). The decrease was attributable to lower sales prices and sales volumes.

EBITDA amounted to SEK –22 million (–10). The decrease was attributable to lower sales prices and sales volumes. Sales prices were about 20% lower and the sales volumes about 30% lower.

The improved result compared with the fourth quarter 2022 was mainly attributable to higher sales volumes but also to lower raw material costs.



DOORS & WINDOWS

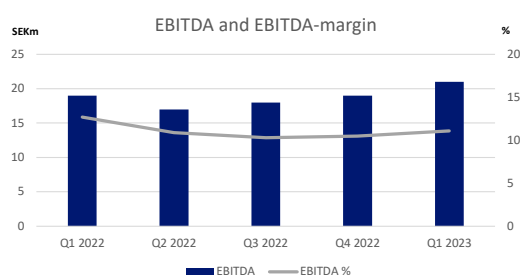
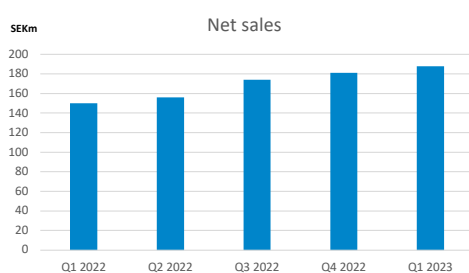
A presentation of the product area can be found on page 19.

AMOUNTS IN SEK m	Jan–March 2023	Jan–March 2022	Jan–Dec 2022
Net sales	188	150	661
EBITDA	21	19	73
Operating profit	17	16	59
EBITDA margin, %	11.2	12.7	11.0
Operating margin, %	9.0	10.7	8.9

Net sales for the first quarter amounted to SEK 188 million (150). The increase was primarily attributable to higher sales volumes but also to higher sales prices to compensate for higher costs for raw material and logistics.

EBITDA amounted to SEK 21 million (19). The increase is primarily attributable to higher sales volumes.

The higher result compared to the fourth quarter 2022 is mainly due to higher sales volumes.



SAWN WOOD

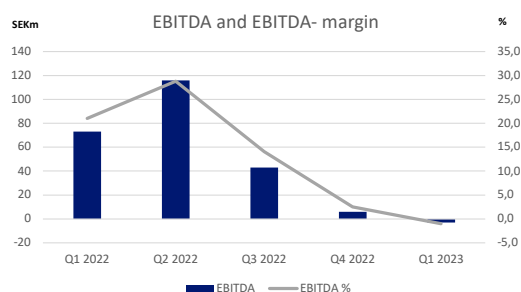
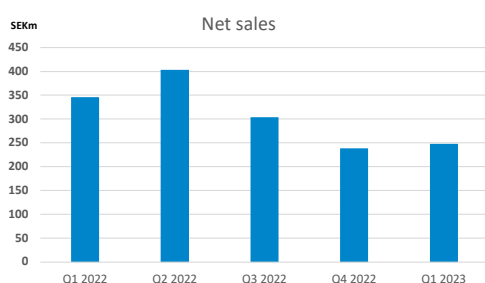
A presentation of the product area can be found on page 19.

AMOUNTS IN SEK m	Jan–March 2023	Jan–March 2022	Jan–Dec 2022
Net sales	248	346	1,292
EBITDA	–3	73	238
Operating profit/loss	–12	65	203
EBITDA margin, %	–1.2	21.1	18.4
Operating margin, %	–4.8	18.8	15.7
Sales volumes, '000 m ³	72	94	324
Production volume, '000 m ³	75	93	329

Net sales for the first quarter amounted to SEK 248 million (346). The decrease was attributable to lower sales prices and sales volumes.

EBITDA amounted to SEK –3 million (73). The lower earnings were attributable primarily to lower sales prices and lower sales- and production volumes. Sales prices were about 30% lower and the sales volumes 23% lower.

The lower result compared to the fourth quarter 2022 was mainly explained by lower sales prices.



ENERGY & LOGISTICS

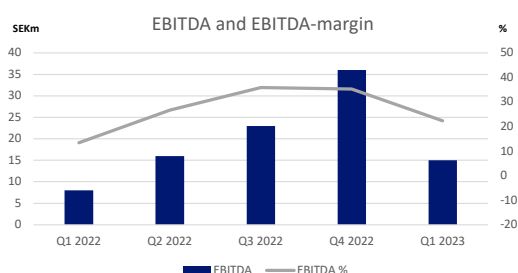
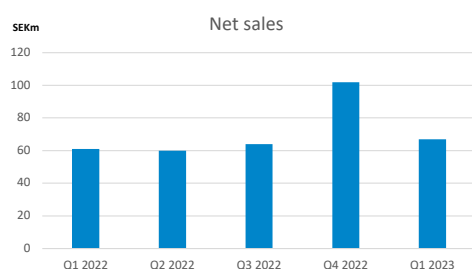
A presentation of the product area can be found on page 19.

AMOUNTS IN SEK m	Jan–March 2023	Jan–March 2022	Jan–Dec 2022
Net sales	67	61	287
EBITDA	15	8	83
Operating profit	10	3	62
EBITDA margin, %	22.4	13.1	28.9
Operating margin, %	14.9	4.9	21.6

Net sales for the first quarter amounted to SEK 67 million (61). The increase in net sales were attributable primarily to higher sales prices of pellets. Net sales of pellets amounted to SEK million 49 (37).

EBITDA amounted to SEK 15 million (8). The improved profit was explained by higher sales prices for pellets. EBITDA for the pellet business was SEK 14 million (7).

The lower result compared to the fourth quarter 2022 was explained by lower sales prices and sales volumes for pellets.



Other information

TAX

Recognised tax for the period January–March amounted to SEK 0 million (4). The effective tax rate was 0 per cent, lower than Sweden's corporate tax rate. The lower effective tax rate was attributable to no tax having been recognised for the Baltic companies.

In Latvia and Estonia, the corporate income tax is 0 per cent on reinvested profits. Corporate tax is applicable and payable when dividends are distributed. No corporate income taxes have been recognised for the Group companies in the Baltics. Unrecognised deferred taxes regarding undistributed profits in the Baltic companies totalled approximately SEK 195 million at 31 March 2023.

SEASONAL FLUCTUATIONS

Bergs's business is subject to seasonal fluctuations. The demand for processed wood products in the construction sector is generally higher in April–October. The demand for sawn products is normally higher in March–June and September–November. Sales volumes during the winter and summer months are normally lower. The market for pellets correlates to the winter season. The production volume in the sawmills is lower in the third quarter as a result of the summer holidays and maintenance work.

GEOPOLITICAL SITUATION

Bergs is affected by the war in Ukraine through its effects on economic development and price development for, among other things, timber, saw logs, energy and other inputs. We see higher interest rates and inflation that is cooling down the economy and, in the short term, affect the demand for our products. There is also a risk that credit risks will increase in the business.

The Group complies with applicable sanctions and regulations and has suspended all purchases from Russia and Belarus. Bergs has previously had raw material supply to our unit in Latvia within Wood Solutions from Russia and Belarus. These volumes have been compensated by increased purchases from other established suppliers in the Baltics and Scandinavia. Bergs has not had any sales to Russia or Belarus.

EVENTS AFTER THE END OF THE QUARTER

There are no events after the end of the quarter to be reported.

PARENT COMPANY

The activities of the Parent Company pertain to the management of shares in subsidiaries, Group-wide administrative tasks and Group financing. Loss after financial items for the Parent Company for January–March amounted to SEK –7 million (–6).

CALENDAR

Interim report, January–June 2023	25 July 2023
Interim report, January–September 2023	26 October 2023
Year-end report for 2023	31 January 2024

This interim report has not been subject to review by the company's auditors.

The undersigned certify that the interim report gives a true and fair view of the Company's and Group's operations, financial position and result of operations, and describes material risks and uncertainties facing the Company and the companies included in the Group.

Stockholm, May 4, 2023
Bergs Timber AB (publ)

Peter Nilsson
President and CEO

Further information regarding the interim report can be provided by the CEO, Peter Nilsson, on telephone number +46 70 315 09 27 or CFO, Anders Marklund, on +46 70 284 47 96.

The information in this interim report is such that Bergs Timber AB (publ) is required to disclose pursuant to the EU's Market Abuse Regulation. The information was released for publication on 4 May 2023 at 8:00 a.m. CET. The interim report is available on the company's website, www.bergstimber.com

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Tel: +46 (0)10-199 84 00

Condensed consolidated income statement

AMOUNTS IN SEK m	2023 Jan-Mar 3 months	2022 Jan-Mar 3 months	2022 Jan-Dec 12 months
Net sales	715	910	3,267
Changes to products in process and finished goods	-8	-5	-7
Other operating income	3	2	20
Total	710	907	3,280
Operating expenses			
Raw materials and consumables	-457	-585	-1,975
Other external costs	-135	-139	-551
Personnel costs	-111	-101	-422
Profit from shares in associated companies	-1	0	-1
Depreciation/amortisation and impairment	-24	-21	-90
Total operating expenses	-728	-846	-3,039
Operating profit	-18	61	241
Finance income	5	3	20
Financial expenses	-5	-5	-17
Profit after financial items	-18	59	244
Tax on profit for the period	0	4	-13
Profit for the period	-18	63	231
Attributable to			
Parent Company shareholders	-18	63	231
Non-controlling interests	-	-	-
Earnings per share, SEK*	-0.52	1.82	6.66
Average number of shares, thousands*	34,673	34,673	34,673

*) Earnings per share has been adjusted retroactively for the reverse split 1:10 in May 2022. When calculating earnings per share, the average number of shares is used, which has also been retroactively adjusted.

Statement of comprehensive income (net after tax)

AMOUNTS IN SEK m	2023 Jan-Mar 3 months	2022 Jan-Mar 3 months	2022 Jan-Dec 12 months
Profit for the period	-18	63	231
Change in hedge reserve (net after tax)	-13	-	11
Translation differences	16	7	88
Comprehensive income for the period	3	70	330
Attributable to:			
Parent Company shareholders	-15	70	330
Non-controlling interests	-	-	-

Condensed consolidated balance sheet

AMOUNTS IN SEK m	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	359	337	355
Property, plant and equipment, incl. right-of-use assets	906	818	888
Financial assets	14	7	10
Deferred tax assets	21	23	22
Total non-current assets	1,300	1,185	1,275
Current assets			
Inventory	630	676	705
Current receivables	338	426	219
Cash and bank balances	216	126	268
Total current assets	1,184	1,228	1,192
TOTAL ASSETS	2,484	2,413	2,467
Equity and liabilities			
Equity	1,828	1,686	1,842
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	205	229	211
Other non-current liabilities and provisions	5	5	5
Deferred tax liabilities	31	30	35
Total non-current liabilities	241	264	251
Current liabilities			
Interest-bearing liabilities	29	27	29
Non-interest bearing liabilities	386	436	345
Total current liabilities	415	463	374
TOTAL EQUITY AND LIABILITIES	2,484	2,413	2,467

Changes in equity (no minority exists)

AMOUNTS IN SEK m	2023 Jan–Mar 3 months	2022 Jan–Mar 3 months	2022 Jan–Dec 12 months
Equity, opening balance	1,842	1,616	1,616
Comprehensive income for the period	-15	70	330
Dividend paid	-	-	-104
Total equity at the end of the period	1,828	1,686	1,842

Condensed cash flow statement

AMOUNTS IN SEK m	2023 Jan–Mar 3 months	2022 Jan–Mar 3 months	2022 Jan–Dec 12 months
Operating activities			
Profit after financial items	–18	59	244
Adjustments for non-cash items*	21	19	66
Income taxes paid	–6	–12	–18
Cash flow from operating activities before changes in working capital	–3	66	292
Change in inventories	83	68	94
Change in operating receivables	–129	–89	157
Change in operating liabilities	37	79	–52
Cash flow from operating activities	–12	124	491
Investing activities			
Business combination	–	–9	–45
Acquisition of property, plant and equipment	–32	–22	–107
Sale of property, plant and equipment	0	0	18
Change in financial assets	–4	0	–3
Cash flow from investment activities	–36	–31	–137
Financing activities			
Change in financial receivables and liabilities	–5	–61	–80
Paid dividend	–	–	–104
Cash flow from financing activities	–5	–61	–184
Cash flow for the period	–53	32	170
Cash and cash equivalents at start of period	268	94	94
Translation differences in cash and cash equivalents	1	0	4
Cash and cash equivalents at end of period	216	126	268

*) Pertains primarily to depreciation and unrealised exchange rate effects.

The Group's key performance indicators and targets

AMOUNTS IN SEK m	Financial targets	2023 Jan-Mar 3 months	2022 Jan-Mar 3 months	2022 Jan-Dec 12 months
Net sales		715	910	3,267
EBITDA		6	82	331
EBITDA margin, %	>9	0.8	9.0	10.1
Operating profit/loss		-18	61	241
Operating margin, %		-2.5	6.7	7.4
Return on capital employed, %, 12 months		-	-	13.0
Earnings per share, SEK*		-0.52	1.82	6.66
Interest-bearing net debt		17	130	-29
Net debt/equity ratio	<1.0	0.01	0.08	-0.02
Equity/assets ratio, %		73.6	69.9	74.7
Average number of shares, thousands		34,673	346,728	34,673
Equity per share, SEK*		52.75	48.63	53.12

*) Earnings per share and Equity per share have been adjusted retroactively for the reverse split 1:10 in May 2022.

Condensed Parent Company statement of income

AMOUNTS IN SEK m	2023 Jan-Mar 3 months	2022 Jan-Mar 3 months
Other operating income	1	1
Total	1	1
Operating expenses		
Other external costs	-4	-5
Personnel costs	-5	-3
Depreciation	0	0
Total operating expenses	-9	-8
Operating loss	-8	-7
Finance income	7	4
Financial expenses	-6	-3
Loss after financial items	-7	-6
Tax on profit for the period	1	2
Profit/loss for the period	-6	-4

Condensed Parent Company balance sheet

AMOUNTS IN SEK m	31 Mar 2023	31 Mar 2022
Assets		
Property, plant and equipment	0	0
Financial assets	1,239	1,172
Total non-current assets	1,239	1,172
Receivables from Group companies	111	126
Other current receivables	7	8
Cash and bank balances	164	66
Total current assets	282	200
TOTAL ASSETS	1,521	1,372
Liabilities and equity		
Equity	763	848
Untaxed reserves	28	21
Non-current liabilities	200	225
Current liabilities	530	278
TOTAL EQUITY AND LIABILITIES	1,521	1,372

Notes

1. ACCOUNTING POLICIES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act. Other accounting policies and calculation methods that are applied for the Group and the Parent Company conform to the principles that were used when preparing the most recent annual report for 2022; refer to pages 75–80.

Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere of the interim report. Amounts in brackets refer to the amount for the same period in the previous financial year, unless otherwise stated. There may be differences due to rounding.

2. EXTERNAL NET SALES BY MARKET

Income is recognised at a point in time, normally upon delivery, and income essentially pertains only to sawn and processed wood products.

January–March 2023 AMOUNTS IN SEK m	Wood Solutions	Doors & Windows	Sawn Wood	Energy & Logistics	Group total
Sweden	33	3	0	9	45
UK	56	142	10	19	227
Baltics	5	0	158	5	168
Rest of Europe	115	42	39	34	230
Rest of world	3	1	41	0	45
Total external net sales	212	188	248	67	715

January–March 2022 AMOUNTS IN SEK m	Wood Solutions	Doors & Windows	Sawn Wood	Energy & Logistics	Group total
Sweden	65	0	0	10	75
UK	105	129	13	18	265
Baltics	9	0	186	4	199
Rest of Europe	183	21	46	22	272
Rest of world	3	0	95	1	99
Total external net sales	365	150	340	55	910

3. FINANCIAL INSTRUMENTS BY CATEGORY

AMOUNTS IN SEK m	Level	Carrying amount 31 Mar 2023	Fair value 31 Mar 2023	Carrying amount 31 Dec 2022	Fair value 31 Dec 2022
Financial assets at amortised cost					
Non-current receivables	–	5	5	5	5
Trade receivables	–	271	271	150	150
Other receivables	–	21	21	21	21
Cash and cash equivalents	–	216	216	268	268
Derivatives for hedge accounting					
Derivatives	2	0	0	15	15
		513	513	459	459
Financial liabilities measured at amortised cost					
Non-current interest-bearing liabilities	–	205	205	211	211
Accounts payable	–	159	159	103	103
Current interest-bearing liabilities	–	29	29	29	29
Other liabilities	–	41	41	38	38
Derivatives for hedge accounting					
Derivatives	2	2	2	0	0
		436	436	381	381

Fair value of electricity derivatives are equal to the market value of the contracts at the balance sheet date, which is recognised under level 2. Fair value in level 2 is determined by using forward rates on the balance sheet date. Fair value is calculated through discounted cash flows and current forward rates are taken from market quotations. Liabilities to credit institutions run with variable interest and a market-based credit margin, which is why fair value corresponds to carrying amount.

Valuation levels:

- 1: Quoted prices in an active market for identical assets or liabilities, such as shares or obligations listed on the stock market.
- 2: Other observable inputs for the asset or liability than quoted prices included in Level 1, either direct (as quoted market prices) or indirect (obtained from quoted market prices), such as foreign exchange forwards, electricity futures or rate swaps.
- 3: Data for the asset or liability that is not completely based on observable market data.

4. INFORMATION ON RISKS AND UNCERTAINTIES

Business cycle

Bergs operates in a competitive and cyclical market. Prices and volumes for wood products are largely dependent on the balance between supply and demand on a global level with large variations over time. The cost of raw materials constitutes a large part of the product's value and makes Bergs sensitive to price development and access to raw material. The raw material is preferably sourced in the immediate area and the supply and demand of the raw material affects pricing to a large extent in the short term.

Financial risks

Bergs is exposed to financial risks, which are primarily related to liquidity and cash flow risks in conjunction with liquidity and liability management and currency risks in export transactions. A large part of the financing is dependent on fulfilling conventional financial undertakings. Regarding exposure to exchange rate risk, the Group's policy states that certain part of the expected currency flow for the next six months can be hedged.

Geopolitical risks

Bergs is affected by the war in Ukraine through its effects on economic development and price development for, among other things, timber, saw logs, energy and other inputs. We see higher interest rates and inflation that will cool down the economy and, in the short term, affect the demand for our products. There is also a risk that credit risks will increase in the business.

The Group complies with applicable sanctions and regulations and has suspended all purchases from Russia and Belarus. Bergs has previously had raw material supply to our unit in Latvia within Wood Solutions from Russia and Belarus. These volumes have been compensated by increased purchases from other established suppliers in the Baltics and Scandinavia. Bergs has not had any sales to Russia or Belarus.

Cost of fixed assets

Owing to the existence of goodwill, the recognised cost of fixed assets is tested for impairment. The test is based on our best assessment of the future performance. The testing performed in conjunction with the previous year-end report showed that there was no need for impairment. We have not identified any need for impairment during the current year despite a negative earnings trend in the Wood Solutions segment. The business has shown good profitability over time but was negatively affected by lower demand during the previous year. A future negative deviation may affect the recognised cost of fixed assets. For a further description of impairment testing please, refer to page 92 of the 2022 Annual Report.

For a complete presentation of the identified risk as well as the company's risk management efforts, refer to pages 51–55 of the 2022 Annual Report.

5. RELATED-PARTY TRANSACTIONS

Transactions with Board members, senior executives and companies related to them have not been of such scope that they had any material impact on the Group's financial position and earnings.

The Parent Company has conducted transactions with the Group's subsidiaries in the form of sales of management and administration services. The scope of transactions with related parties has not changed compared to the information provided in the 2022 Annual Report.

Berg's has increased the ownership share in the partly owned company Wood Tube Sweden AB, in total about 30 percent. Furthermore the company has loans from the Parent Company totalling SEK 5 million.

6. ALTERNATIVE PERFORMANCE MEASURES

Bergs presents key performance indicators (KPI) in the interim report that supplement the financial measures defined according to IFRS, known as alternative performance measures (APM). The company believes that these performance measures provide valuable information to investors and the company's management since they enable, among other things, measurement of the company's performance, trends and financing. Because not all companies calculate financial key performance indicators in the same way, these are not always comparable. The alternative performance measures should be regarded as a supplement to the key performance indicators defined under IFRS. For further definitions and reasons for use, please refer to pages 99–100 of the 2022 Annual Report.

Definitions of key performance indicators

EBITDA	Operating profit before depreciation/amortisation and impairment of tangible and intangible assets
EBITDA margin	EBITDA as a percentage of net sales
Operating profit	Earnings before financial items and tax
Operating margin	Operating profit as a percentage of net sales
Return on capital employed	Profit/loss after financial items plus financial expenses in relation to the average capital employed
Capital employed	Equity plus interest-bearing liabilities and provisions
Interest-bearing net debt	Interest-bearing liabilities and provisions less cash and cash equivalents and current investments
Net debt/equity ratio	Net interest-bearing liabilities in relation to equity
Equity/assets ratio	Equity as a percentage of the balance-sheet total
Equity per share	Equity in relation to the total number of shares outstanding
Production volume	Nominal sawn volume in cubic metres less estimated offcuts and wastage in further internal production processes
Sales volumes	Nominal delivered volume in cubic metres (volume calculated before planing, if any)

RECONCILIATION TABLE

	2023 Jan–Mar 3 months	2022 Jan–Mar 3 months	2022 Jan–Dec 12 months
AMOUNTS IN SEK m			
Equity	–	–	1,842
Interest-bearing liabilities	–	–	240
Provisions	–	–	6
Capital employed	–	–	2,088
Profit after financial items	–	–	244
Financial expenses	–	–	17
Total	–	–	261
Average capital employed	–	–	2,013
Return on capital employed, %	–	–	13.0
Interest-bearing liabilities, non-current	205	229	211
Interest-bearing liabilities, current	29	27	29
Total interest-bearing liabilities	234	256	240
Cash and cash equivalents	–216	–126	–268
Interest-bearing net debt	17	130	–29
Interest-bearing net debt	17	130	–29
Equity	1,828	1,686	1,842
Net debt/equity ratio	0.01	0.08	–0.02
Equity	1,828	1,686	1,842
Total assets	2,484	2,413	2,467
Equity/assets ratio, %	73.6	69.9	74.7
Operating profit/loss	–18	61	241
Depreciation, amortisation and impairment	24	21	90
EBITDA	6	82	331
Net sales	715	910	3,267
EBITDA margin, %	0.8	9.0	10.1
Operating profit/loss	–18	61	241
Net sales	715	910	3,267
Operating margin, %	–2.5	6.7	7.4

7. QUARTERLY OUTCOME BY SEGMENT

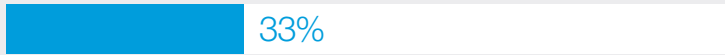
Segments are monitored and reported including operating profit.

STATEMENT OF INCOME

AMOUNTS IN SEK m	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2022 Full year
Net sales	715	640	708	1,009	910	3,267
Wood Solutions	214	121	181	420	365	1,087
Doors & Windows	188	181	174	156	150	661
Sawn Wood	248	239	304	403	346	1,292
Energy & Logistics	67	102	64	60	61	287
Joint and elim	-2	-3	-15	-30	-12	-60
EBITDA	6	30	46	173	82	331
Wood Solutions	-22	-26	-33	31	-10	-38
Doors & Windows	21	19	18	17	19	73
Sawn Wood	-3	6	43	116	73	238
Energy & Logistics	15	36	23	16	8	83
Joint and elim	-5	-5	-5	-7	-8	-25
EBITDA margin, %	0.8	4.7	6.5	17.1	9.0	10.1
Wood Solutions	-10.3	-21.5	-18.2	7.4	-2.7	-3.5
Doors & Windows	11.2	10.5	10.3	10.9	12.7	11.0
Sawn Wood	-1.2	2.5	14.1	28.8	21.1	18.4
Energy & Logistics	22.4	35.3	35.9	26.7	13.1	28.9
Operating profit/loss	-18	6	23	151	61	241
Wood Solutions	-28	-32	-39	25	-16	-62
Doors & Windows	17	14	15	14	16	59
Sawn Wood	-12	-4	34	108	65	203
Energy & Logistics	10	30	18	11	3	62
Joint and elim	-5	-2	-5	-7	-7	-21
Operating margin, %	-2.5	0.9	3.2	15.0	6.7	7.4
Wood Solutions	-13.1	-26.4	-21.5	6.0	-4.4	-5.7
Doors & Windows	9.0	7.7	8.6	9.0	10.7	8.9
Sawn Wood	-4.8	-1.7	11.2	26.8	18.8	15.7
Energy & Logistics	14.9	29.4	28.1	18.3	4.9	21.6

This is Bergs – an international wood products Group

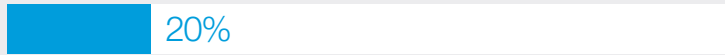
Product areas



Wood Solutions

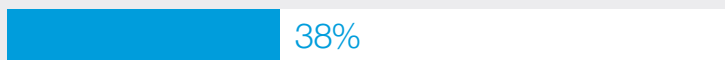
The product area includes a wide range of processed wood products used in design, construction, renovations, home improvements, public and private outdoor environments and furniture production.

Most products and applications within Wood Solutions are based on an effective wood protection such as impregnation, heat treatment or other effective wood protection treatment that ensures protection against rot, fire and significantly extends the life of the products with minimal maintenance. The product area also includes the construction and manufacture of detached houses. The business is conducted at its own facilities in Sweden, Latvia and Great Britain.



Doors & Windows

The product area includes the marketing, design, manufacture and installation of high-quality and custom-made windows and doors. The market consists both of owners of private residences with high demands on quality and appearance, as well as a contract market for larger remodeling projects in culturally historically valuable environments. Manufacturing takes place at our own production facilities in Great Britain, Poland and Latvia.



Sawn Wood

The product area includes the processing of timber that is sawn into boards and planks in varying dimensions and lengths and which is sold to international industrial customers for further processing. The business is conducted at a sawmill in Latvia and a sawmill in Estonia. Certified raw material is procured from sustainably managed forests in the Baltic Sea region.



Energy & Logistics

Within Energy & Logistics Berg's conducts operations in pellet production and logistics. Production takes place at a modern facility for manufacturing of pellets and heat logs in Fågelfors, Sweden and at a facility in Latvia. Port and logistics operations are conducted at a harbor facility in south-east England.

Note: The numbers are based on Group sales for the period January–December 2022.

Our operations – conducted through wholly owned subsidiaries in Sweden, Estonia, Latvia, Poland and the UK – encompass sawmills and processing as well as distribution and logistics. Bergs is listed on Nasdaq Stockholm.

Sales in 2022

SEK 3.3 billion

Employees

1,100

BUSINESS CONCEPT

Bergs owns and develops companies that produce and sell processed timber products to discerning customers in selected markets.

This means that:

- We own and develop companies in the wood processing industry
- Our subsidiaries develop and produce processed wood products, with the customer's needs in focus
- We have a decentralised business model
- We work sustainably throughout the value chain—with raw materials from responsibly cultivated forests—all the way to completed product and delivery

FINANCIAL TARGETS

- Bergs's target is to achieve annual growth of 10 per cent over a business cycle
- Bergs's target is to achieve an EBITDA margin of 9 per cent over a business cycle
- Bergs aims for financial net debt less than equity
- Bergs's target is an annual dividend of normally 25–40 per cent of profit for the year after tax

www.bergstimber.com